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SUBJECT: FRANCE'S REFERENDUM ON EU CONSTITUTION: INTERNAL
POLITICAL CONSEQUENCES

REF: (A) PARIS 3625 AND PREVIOUS

Classified By: Charge Alex Wolff for reasons 1.4 (b) and (d)

SUMMARY

1. (C) Whatever the outcome on May 29, none of the purely domestic political/economic issues that have so divided the French electorate during the referendum campaign will have been resolved. Rejection of the political class, along with the high unemployment, diminished purchasing power and economic insecurity -- all the issues that have driven the "high tide of 'no'" -- will still be there after the referendum. Regardless of the outcome May 29, Chirac will probably change prime minister and reshuffle the cabinet, but he is unlikely to undertake significant, market-oriented economic and social reforms. Chirac may well embrace a 'no' retroactively, positioning himself as the defender French people against untrammelled "Anglo-Saxon" capitalism.

2. (SBU) (Summary Continued) The "victory" of a 'no' to the proposed constitution on May 29 would add to President Chirac's difficulties in mounting a credible bid for a third term and give significant tactical advantage to the presidential ambitions of Nicolas Sarkozy, the president of Chirac's Union for a Popular Movement (UMP) party. Whatever the referendum result, resolving the bitter, 'yes' versus 'no' schism on the center-left will require a unifying figure of undeniable stature among center-left voters, such as former Socialist Party (PS) Prime Minister Lionel Jospin. Barring a last-minute, radical surprise from President Chirac (such as dissolving the National Assembly and calling for early elections in order to separate the EU constitution question from domestic dissatisfaction), a 'yes' victory, like a 'yes' defeat on May 29, largely clears the way for a battle for primacy within the center-right and center-left.
END SUMMARY.

CONSEQUENCES FOR DOMESTIC POLICY DIRECTION

3. (SBU) The high unemployment, diminished purchasing power and economic insecurity that have been the strongest engines of pro-'no' sentiment receive a great deal of rhetorical attention from leaders of both the 'yes' and 'no' camps, but little in the way of practical policy proposals for solving these persistent social and economic problems. The structural reforms that would durably cut down France's high unemployment and make the economy more competitive, if undertaken right after the referendum, would require at least eighteen months of belt-tightening and dislocation before taking hold. The presidential election of 2007 is eighteen months away. The recent experience of his close ally Chancellor Schroeder in Germany is not lost on President Chirac: the medium-term pain required to effect long-term reform has immediate consequences at election time. Whatever the referendum result May 29, it is unlikely President Chirac will change his administration's policy direction in the social and economic sphere. If anything, Chirac has become more statist in his orientation and more solicitous of the constituencies likely to support him -- for example, conservative rural folk -- who in different ways are dependent on the French social model and its state handouts of various kinds.

SHORT-TERM POLITICAL CONSEQUENCES

4. (SBU) In the last days leading up to the referendum, press and TV commentary has been rife with speculation about who Chirac will choose to succeed Prime Minister Rafferin. Unlike in the many prior rounds of speculation about the end of his tenure, this time Rafferin himself has indicated that his days in office may be numbered. Chirac clearly has to reckon with and react to the rejection and dissatisfaction -- the high tide of 'no' -- that makes the referendum a plebiscite about him and his leadership. However, none of his options for changing prime minister in order to breathe new life into his second term particularly recommend themselves to him.

15. (C) All the leading candidates have serious drawbacks for Chirac, not least long-time Chirac rival and president of the ruling Union for a Popular Movement (UMP) party Nicolas Sarkozy. Sarkozy, should Chirac ask him to take the job (most likely in the case of a 'no' victory by a large majority -- over 52 percent), will likely demand considerable leeway to enact reforms and also insist that he remain in control of the UMP. A whirlwind, "hundred days" of activism with Sarkozy at the helm can be envisioned as the best "way out of the impasse of 'no'" for Chirac. However, Sarkozy's response to a 'no' -- reformist policies to address head-on France's economic stagnation -- would likely be incompatible with Chirac's championing of France's social model. Such a tandem, hobbled by both policy differences and conflicting political ambitions, is increasingly difficult to imagine.

16. (C) Defense Minister Michelle Alliot-Marie is the least flawed of the other candidates. She has done a commendable job at defense, is a Chirac loyalist and would clearly bring a new and energetic image to the role of prime minister. Interior Minister Dominique de Villepin is considered too easily carried away by his enthusiasms -- to the point where some question his judgment. Finance Minister Thierry Breton has not been at his current post long enough to establish a track record. In addition, another factor that may put him out of the running is that he is not an experienced politician. Some believe Chirac's personal preference is to wait, putting an interim figure in the post, until former Prime Minister Alain Juppe's ineligibility to run for public office due to a misdemeanor conviction on corruption charges ends late this year. The dark horse candidate for the prime minister's job, in many ways fitting the bill of "interim figure," is Social Cohesion Minister Jean-Louis Borloo. A successful centrist politician from northern France, Borloo's appointment as prime minister would confirm Chirac's intention to focus on government sponsored social programs, rather than-market oriented reforms, during the remainder of his second term. In the event of 'yes' victory in particular, Chirac could again confound expectations and keep Raffarin at his post until a change, closer to the election, is likelier to produce a lift in the polls for a Chirac candidacy in 2007.

CONSEQUENCES FOR CHIRAC

17. (C) The conventional wisdom is that a 'no' victory would deal a crippling blow to Chirac's re-election possibilities, while strengthening Sarkozy's position as the only candidate able to unite the center-right. Chirac is not a popular figure; he received less than 20 percent of the votes in the first round of the last presidential election in 2002. A 'no' victory would discredit him even further. Even so, his record of eliminating rivals and skill in positioning himself to end up as the figure most acceptable to the largest number should not be underestimated. In addition, there is still a current of strong opposition to Sarkozy within the UMP. Sarkozy's recruitment drives for new party members and advocacy of primaries to designate party candidates are an effort to counter opposition to him among Chirac loyalists. A 'no' victory would make it much easier for Sarkozy and his allies to suppress this opposition, but it will not disappear entirely -- and it will always be ready to take advantage of any misstep or weakness on Sarkozy's part.

CONSEQUENCES FOR THE LEFT

18. (C) France's system of state financing of political parties will keep the Socialist Party (PS) a single entity despite the deep and bitter schism prompted by its "dissident" 'no' camp. Whether 'yes' or 'no' wins on May 29, the ensuing struggle -- less for control of the party than for taking the role of unifying figure, able to rally the socialist electorate in view of 2007 -- will be intensely contested. Former socialist Prime Minister Laurent Fabius, who believes that his having challenged the establishment by advocating 'no' should allow him to win the support of all "the people of the left," will seek to displace National Secretary Francois Hollande as party leader. It is unlikely

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that Fabius, never popular among party members, can win a party election, particularly against what is sure to be the determined opposition of the party's mainstream leadership.

...AND LIONEL JOSPIN

19. (C) Unless last minute fear of the consequences of a 'no' victory prompts a surge of pro-'yes' voter turn-out among the undecided on May 29, and 'yes' wins by a strong majority, Francois Hollande will be unable to claim the role of unifier (and leading candidate) of the center-left. A narrow victory either way will leave the party divided, unable to unite behind the leaders of either its 'yes' or 'no' camps. Only a figure of unquestioned stature among voters across the spectrum of the socialist electorate could fill that unifying role. Former socialist Prime Minister Lionel Jospin --

emerging from retirement at just the right moment -- could, providentially, be at hand to make himself useful in exactly that way.

READY TO TAKE ADVANTAGE OF THE RESULT

110. (C) Three days before Sunday's referendum, polls continue to show that, among decided voters, 'no' to the proposed constitution holds the lead over 'yes.' According to some polls, as many as a third of voters remain undecided. President Chirac, hoping the polls and pundits are wrong, would exploit a 'yes, casting it as an endorsement to bolster his battered standing with the electorate. In the more likely case of a 'no' victory, President Chirac is likely to attempt to co-opt to his own benefit the sentiment of fear underlying many voters' rejection of the constitution. Today's Chirac, champion of the 'yes,' may well attempt to emerge from defeat a chastened politician ready to lead the electorate's desire for security in a world where globalization and the European drift towards an Anglo-Saxon model of untrammelled capitalism threaten the French way of life. It would not be beyond him to make the substance of the 'no' cause retroactively his own. END COMMENT.
WOLFF